

## **LIXIL Corporate Governance General Policy (Translation)**

**LIXIL Corporation**

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# LIXIL Corporate Governance General Policy

## Chapter I General Provisions

### Article 1 Purpose

- 1.1 This general policy (the "General Policy") sets forth the fundamental philosophy with respect to corporate governance of LIXIL Corporation (the "Company") and its Group.
- 1.2 In order to realize the corporate management philosophy set forth in Article 3 of the General Policy, the Company shall strive at all times to implement the best possible corporate governance system, one which enables it to achieve maximum sustainable improvement in corporate value. The corporate governance system provided in the General Policy constitutes the Company's commitment to our shareholders and other stakeholders and also functions as the standard to which the Company holds itself.
- 1.3 The Company shall post the latest version of the General Policy on its website.

### Article 2 Definitions

The following terms used in this General Policy shall have the meanings assigned to them in the following paragraphs.

- (1) "Group" means a corporate group which is composed of the Company and its Affiliates.
- (2) "Affiliates" means the Company's Subsidiaries and Affiliated Companies.
- (3) "Subsidiaries" means the subsidiaries company defined in Article 3, paragraph (1) of the Ordinance for Enforcement of the Companies Act.
- (4) "Affiliated Companies" means the affiliated company defined in Article 2, paragraph (3), item (xviii) of the Rules of Corporate Accounting.

### Article 3 Corporate Management Philosophy

The fundamental philosophy underlying the Company's corporate governance is the implementation of a corporate governance system embodying the Company's Management Philosophy. The following is the Company's Management Philosophy.

- (1) LIXIL's Purpose  
Make better homes a reality for everyone, everywhere

- (2) LIXIL Behaviors
  - Do the Right thing
  - Work with Respect
  - Experiment and Learn

#### **Article 4 Basic Corporate Governance Framework**

Under the Company, the Group aims to optimize the whole by maintaining cooperation between each Affiliate. The Group shall adopt the following fundamental framework and undertake initiatives to strengthen and enhance corporate governance in order to maintain the Group's standing as a corporate group that inspires confidence through the creation and provision of attractive value to our stakeholders.

- (1) Company with a nominating committee, etc.

The Company has adopted the governance format of a "company with a nominating committee, etc." with the aim of clearly separating its executive and supervisory functions, enabling executive officers to make swift and decisive business decision-making and ensuring management transparency.
- (2) Enhancement of functions through the establishment of Board of Executive Officers and each committee

In addition to the organs legally required for a company with a nomination committee, etc., the Company shall have Board of Executive Officers, and each committee.
- (3) Implementation of a uniform corporate governance system across the entire Group

By setting forth the LIXIL Behaviors, the LIXIL Code of Conduct, and group-wide financial and accounting management policies, having the entire Group comply therewith, and carrying out integrated education and training for directors, executive officers and employees as well as uniform implementation of a compliance system, the Company shall strive to cause its corporate governance permeate the entire globalized corporate group, enabling a full understanding and realization of the General Policy.

### **Chapter II Relationship with Shareholders**

#### **Article 5 Shareholders' Meeting**

##### 5.1

When convening a Shareholders' Meeting, the Company shall take electronic provision measures with respect to the information contained in the Reference Documents for the Shareholders' Meeting, etc. In order to ensure that shareholders have sufficient time to consider proposals

submitted to the Shareholders' Meeting, the Company shall release the Reference Documents for the Annual Shareholders' Meeting, etc. as soon as possible on the Company's website and TDnet, together with English translation of the documents. For matters subject to measures to provide in electronic format, the Company may exclude all or part of the matters set forth in the Ordinance of the Ministry of Justice from documents to be delivered to shareholders who have requested delivery of documents by the record date for voting rights.

- 5.2 In order to enhance the usefulness of the Shareholders' Meeting and facilitate the exercise of voting rights, the Company shall adopt a system for the exercise of voting rights via the Internet, and utilize the platform for the electronic exercise of voting rights by institutional investors.
- 5.3 In addition to information that is required under rules for timely disclosure of corporate information by issuers of listed securities (timely disclosure rules), the Company shall also proactively and impartially disclose information necessary to enable shareholders to exercise their voting rights appropriately at Shareholders' Meeting. The Company shall also give consideration to how it communicates information in order to make it easier for shareholders to understand, including the use of colors in convocation notice and the use of visual representations, such as graphs, of the content of business reports.
- 5.4 With respect to the participation, attendance, and the exercise of voting rights, etc. at Shareholders' Meeting by beneficial shareholders such as institutional investors whose shares are held in the name of a trust bank, etc., the Company, shall discuss and examine the matter with the trust bank, etc. on a case-by-case basis in accordance with a policy to not obstruct (in terms of actual substance) the exercise of shareholder voting rights.
- 5.5 In order to allow as many shareholders as possible to participate in Shareholders' Meeting, in principle the Company shall set a date for the Shareholders' Meeting that is at least five days prior to the date on which many other companies are expected to hold their Shareholders' Meeting.

## **Article 6 Measures After Shareholders' Meeting**

- 6.1 With respect to each proposal, the Company, shall analyze the factors for approval or disapproval of results of voting on resolution matters at Shareholders' Meeting, and consider how the Company should respond.
- 6.2 When the procedure in Article 6.1 is implemented, in particular, when it is recognized that a considerable number of votes were submitted disapproving of a proposal made by the Company, its Board of Directors shall analyze the reason for disapproval and the cause of the numerous disapproving votes, and consider holding dialogue with shareholders, and other responses.

- 6.3 The Company shall examine whether it is necessary to respond to questions and opinions voiced by shareholders at Shareholders' Meeting.

#### **Article 7 Basic Policy Regarding Capital Structure**

- 7.1 The Company's basic policy is to avoid as far as possible any measure related to capital structure that prejudices the interests of existing shareholders, and the Company shall endeavor to implement a system to ensure that any capital-related measure that risks prejudicing the interests of existing shareholders is thoroughly discussed by the Board of Directors.
- 7.2 When implementing a capital-related measure that poses the risk of prejudicing the interests of shareholders, the CEO (Executive Officer who is the Chief Executive Officer) and CFO (Executive Officer who is the Chief Financial Officer) shall endeavor to personally provide explanations to shareholders.

#### **Article 8 Dividend Policy**

- 8.1 Based on the fundamental principle of preservation of sound financial standing, the Company has as its policies: to preserve a 30% or higher dividend payout ratio on a consolidated basis; and to flexibly acquire treasury stock.
- 8.2 The Company shall use retained earnings for strategic investments for purposes such as the expansion of business activities.
- 8.3 The Company's basic policy is to pay dividends from surplus twice per year (an interim dividend and an annual dividend).

#### **Article 9 Cross Shareholdings**

- 9.1 The Company and Affiliates hold cross shareholdings only in cases where it is recognized to be necessary to facilitate sales and revenue generation, or necessary as part of an alliance with an outside company required for the Company's business activities.
- 9.2 Each year, the Company shall comprehensively evaluate cross-held shares held by the Company and Affiliates individually from a quantitative and qualitative perspective, taking into consideration the sales, profits, and total investment in transactions with the relevant company for each individual issue, in respect of whether the purpose of holding is appropriate, whether the capital cost matches the benefits and risks of the holding, whether there is any future risk as a result of sale, etc., and shall report the content to the Company's Board of Directors and the Board of Directors shall verify the content. Also, in conjunction with changes in the environment surrounding the Group, the

Group shall undertake a reconsideration of the goal of such holding as needed. As a result of these verifications, in the case where it is determined that the necessity of holding is no longer indicated, the Group shall work to reduce the cross-held shares by undertaking a prompt disposition, etc.

- 9.3 The Company and Affiliates are undertaking exercise of voting rights for holdings of cross-held shares and in undertaking the exercise of voting rights, upon a full consideration from the point of view of whether it contributes to improving value over the mid to long-term of the Group and the invested company, etc., and with respect to resolutions that may violate the goal for such holding of the Group and resolutions that may harm shareholder value, the Company and Affiliates shall carefully determine whether to support or oppose after having a discussion with the entity as needed and then exercise the voting rights.

#### **Article 10 Anti-Takeover Measures**

- 10.1 Based on the Company's understanding that having shareholders hold the Company's shares on a medium- to long-term basis by winning the support of our shareholders is the best defense against hostile takeovers, the Company will not at this time introduce any anti-takeover measures.
- 10.2 If a tender offer is made for the Company's shares, its Board of Directors shall give such tender offer sufficient deliberation, appropriately disclose to shareholders its position, and ensure that proper procedures are carried out. In such event, the Company's policy is to avoid measures that unjustly prevent shareholders from selling or transferring their shares in response to a tender offer.

#### **Article 11 Related-Party Transactions**

The Company and Affiliates shall comply with the law and rules that shall be set forth in a separate document regarding transactions with parties such as those Companies' directors and executive officers, and major shareholders.

#### **Article 12 Communication with Shareholders**

- 12.1 The IR Office shall play the central role in managing the overall dialogue with shareholders, and the Company's basic policy shall be to hold meetings at the request of any shareholder or investor where possible. In such cases, the Company shall take care to ensure impartiality, irrespective of whether the shareholder or investor is in Japan or located abroad.
- 12.2 In addition to nominating an Officer in charge of IR with responsibility for managing the dialogue with shareholders, the Company shall endeavor to garner the understanding of shareholders with respect to the Group's management strategies and management plans by undertaking meetings between shareholders, etc., and the CEO and other appropriate persons, depending on the

importance, etc., of the purpose and content of the meetings. Also, when there is a request from a shareholder for an interview with an outside director and a particular reason is found upon consideration of the fair disclosure rule, etc., by the Officer in charge of IR, effort will be made to have the independent outside director respond with the participation of the Officer in charge of IR and other necessary persons.

- 12.3 As part of its disclosure of information to facilitate constructive dialogue, the Company shall aim to promote understanding on the part of shareholders, etc. by holding explanatory meetings with respect to quarterly financial results as well as holding explanatory meetings with respect to other matters as necessary.
- 12.4 The Board of Directors and Board of Executive Officers shall be given regular feedback on opinions and concerns that the Company has learned of through its dialogue with shareholders, etc. by an Officer in charge of IR and utilize such feedback to drive improvement of the Company's corporate value.
- 12.5 The Company shall exercise caution with respect to the management of inside information, using measures such as having multiple persons in charge for IR attend meetings as specified in Article 12.1 and Article 12.2, and providing a quiet period before the announcement of quarterly results.
- 12.6 The Company shall endeavor to have an understanding of its shareholder structure, and shall carry out surveys to identify beneficial shareholders at least once per year.

### **Chapter III Relationship with Stakeholders Other than Shareholders**

#### **Article 13 Collaboration with Stakeholders**

In order to fulfill our social responsibilities as a global living and housing solutions company, the Company will implement dialogues with stakeholders, such as consumers, community members, NPOs and NGOs, etc. to accurately understand and reflect the demands of society and to be able to conduct business activities based on a socially-centered perspective rather than a company-centered one, and, based on that, strive for appropriate synergies.

#### **Article 14 Implementation of and Compliance with a Code of Conduct**

- 14.1. The Company will set out clearly in the LIXIL Code of Conduct the compliance policies that must be followed by all directors, officers and employees of the Group, translate the content into multiple languages, distribute it to all directors, officers and employees, and together with that implement regular training and acknowledgment of compliance with the code of conduct, and follow up on it diligently.

14.2. The Board of Directors will regularly supervise the actual conditions and efficacy of the LIXIL Code of Conduct through the report of status of execution of operations, etc., of the executive officer in charge.

## **Article 15 Sustainability Strategy and Policy**

- 15.1 In order to realize LIXIL's Purpose, the Group will create impact (positive influence) on environment and society through ongoing efforts to resolve sustainability issues, such as environmental, social, and governance, leading to the Group's sustainable growth. The Group has established this activity policy as the general policy for its business activities.
- 15.2 The Board of Directors shall receive reports from execution departments on issues and initiatives stipulated in Section 1, and proactively work in cooperation to identify important issues and consider measures to address them.
- 15.3 The Board of Executive Officers shall set forth its Impact Strategy as the policy and strategy for the company's unique initiatives regarding sustainability issues in the Group.
- 15.4 The Board of Directors shall approve the Impact Strategy determined by the Board of Executive Officers from the perspective of improving corporate value over the medium to long term, after considering their appropriateness, feasibility, and other factors.
- 15.5 From the viewpoint of enabling flexible response to changes in social conditions, the Company shall disclose specific details of its Impact Strategy and the outline and progress of its initiatives on the Company's website as needed in a manner that clarifies the relationship with the Group's management strategy, etc.

## **Article 16 Ensuring Diversity, etc.**

- 16.1 The Company and Affiliates realize that establishing a corporate culture that generates innovation and energy is essential in order to strengthen people and organization which are a source of competitive strength and will practice handling in response to actual conditions at each juncture based on the LIXIL Diversity and Inclusion Declaration in order to actively promote diversity.

### LIXIL Diversity and Inclusion Declaration

“We leverage our differences to create new energy and engagement generated by open and honest dialogue across our organization. These efforts will enable our employees to build entrepreneurial mindset that will drive growth and sustainable innovation.”

- 16.2 The Company, as part of its efforts to ensure diversity in the Group, sets policies and targets for ensuring diversity, including the ratio of male to female employees, the ratio of male to female officers and the promotion of women, foreign nationals and mid-career employees to managerial positions, and discloses the progress of such initiatives.
- 16.3 The Company will formulate a human resources development policy and an internal environment development policy to ensure the Group's diversity, and disclose their outline and the status of implementation.

#### **Article 17 Concern Raising (Whistleblowing)**

- 17.1 The Company will prepare a system for concern raising, establish a "GLOBAL POLICY ON CONCERN-RAISING" applicable to the whole Group that clearly sets out a confidentiality obligation and protection from retribution, and operate it in accordance with the Policy, other related rules and related laws and regulations, etc.
- 17.2 To ensure the effectiveness of the system for concern raising, the Company shall implement the following measures. The Audit Committee shall monitor it by receiving regular reports on the operation status thereof from the responsible departments.
- (1) a system to appropriately receive raised concerns (establishment of reception channels in an outside specialist or law firm, or other place independent of management, capable of handling multiple languages, and publish the reception channels);
  - (2) a system to objectively evaluate the concerning reports that are raised (assure neutrality of the investigation, obtain cooperation from employees, etc., distribution and education of persons in charge of investigation);
  - (3) a system to provide feedback to the person making the concern raising and other stakeholders regarding the concern submitted through the concern raising system and the handling;
  - (4) a system to follow up on correction measures;
  - (5) a system to make public an outline of operational performance of the system for concern raising that takes into consideration confidentiality and privacy.

#### **Article 18 Exercise Functions as Asset Owner of Corporate Pension Fund**

- 18.1 In order to properly perform pension fund payments to beneficiaries in the future, the corporate pension fund of the Group will undertake operations with the goal of ensuring long-term overall profits determined to be necessary while recognizing various risks, and draw up strategic asset allocation from the mid to long-term point of view based on the opinions of various investor operators.
- 18.2 The corporate pension fund of the Group will periodically monitor the status of management of the

pension fund assets and reconsider the strategic asset allocation as needed. Also, for each investor operator, it will implement a comprehensive evaluation based not only on quantitative criteria but also qualitative criteria of investment policy, investment process, compliance, etc.

- 18.3 In order for the Group's corporate pension fund to be able to raise the expert level of operations and maximize the function as an asset owner, the Company will from the personnel side, appoint a person with expert ability and knowledge in pension fund management as the investment executive officer in charge. Also, on the operating side, an asset management committee constituted by personnel affairs, financial, etc., experts and a conference of delegates of which a majority are beneficiaries will implement continuous monitoring of the status of operations, and set up a system to certify and manage in each case that there are no conflicts of interest between the Group and the beneficiaries of the Group's corporate pension fund.

## **Chapter IV Corporate Governance System**

### **Section 1 Organization**

#### **Article 19 Organizational Structure**

- 19.1 As a company with a nomination committee, etc., the Company has the following organs (meeting body) required by statute: Shareholders' Meeting, Board of Directors, Nomination Committee, Audit Committee, Compensation Committee, executive officers, and accounting auditor.
- 19.2 In addition to the organs in Article 19.1, the following meeting bodies shall be established.
- (1) The Board of Executive Officers composed of all of the Company's executive officers. This meeting allows the company to execute its business flexibly and efficiently, ensures opportunities to consider important matters, and makes it possible to execute business consistently throughout the Group.
  - (2) In addition to the preceding subparagraph, the Company shall have appropriate and necessary committees and meeting bodies to enhance the Group's corporate governance in areas including investment, M&A, compliance, risk management, and impact strategy, etc. The Company shall disclose the implementation status and activities thereof each year in disclosure materials such as the Integrated Report.

#### **Article 20 Role and Duties of the Board of Directors**

- 20.1 In order to achieve flexible business management through the separation of supervision and business execution functions, the Board of Directors shall independently and objectively carry out effective supervision reflecting the evaluation of business results achieved by persons executing business activities, by means such as the exercising its authority in relation to management

personnel.

- 20.2 The Company's Board of Directors shall make decisions regarding the execution of business that are prescribed by law as matters to be determined solely by the Board of Directors of a company with a nomination committee, etc., such as basic policies regarding the execution of business and implementation of an internal control system. In general, matters other than those to be determined solely by the Board of Directors shall be the responsibility of executive officers and the Board of Executive Officers.
- 20.3 The Board of Directors shall play the lead role in realizing the management philosophy and fostering a unified corporate culture and values throughout the Group by supervising the practice of the LIXIL Behaviors and LIXIL Code of Conduct throughout the entire Group.
- 20.4 By creating an environment that supports appropriate risk taking by management, the Board of Directors shall ensure a rational decision-making process while implementing a system that promotes rapid and decisive decision-making.
- 20.5 The Board of Directors, in formulating and announcing the management plan, after accurately grasping the capital cost of the company shall present basic policies and targets that will contribute to sustainable growth and medium- to long-term enhancement of corporate value, such as improvement of profitability and strengthening of the Company's financial position, and shall disclose an outline of the measures to be taken to achieve these targets.
- 20.6 The Board of Directors shall receive regular reports and supervise the progress of measures to achieve the management plan set forth in Article 20.5, and shall select and discuss priority themes as appropriate.
- 20.7 The Board of Directors will monitor the progress of ongoing efforts to resolve sustainability issues, such as environmental, social, and governance by receiving regular reports from the executive departments, and continuously confirm the consistency between the Company's management strategy (allocation of management resources to highly important matters such as investment in human capital and intellectual property, business portfolio, etc.) and the Impact Strategy in terms of raising the Company's medium- to long-term corporate value.
- 20.8 The Board of Directors shall carry out appropriate supervision of the development, revision, and operation of the plan for successor candidates for CEO, etc. by receiving regular reports from the Nomination Committee.
- 20.9 The Board of Directors shall implement a training system for directors and executive officers, and confirm whether it is being appropriately implemented by receiving regular reports on the

operation status thereof from the responsible departments.

20.10 The Board of Directors shall appropriately implement internal control and risk management systems, and continuously supervise the operation status through the Audit Committee and the internal audit division, etc. It shall manage conflicts of interest between related parties, such as management and controlling shareholders, and the Company.

## **Article 21     Composition of the Board of Directors**

21.1 The Board of Directors shall be composed of all directors. It shall be made up of no more than 16 persons, the maximum number permitted pursuant to the Articles of Incorporation, with a board size appropriate to allow thorough discussion.

21.2 In order to achieve the role and duties provided in the preceding Article, the Company shall place a focus on ensuring diversity, including for gender, internationality, work experience and age, and aim to achieve diversity not only of gender, nationality, age, race, and ethnicity, but also of knowledge, experience, opinion, and background in the composition of the Board of Directors.

21.3 The Board of Directors shall appoint the Chairperson of the Board of Directors from among the Independent Outside Directors.

21.4 The Board of Directors shall consult with the Nomination Committee on the appointment or the dismissal of the Chairperson of the Board of Directors provided in the preceding paragraph, and the Nomination Committee, upon the consideration and deliberation, shall report its opinion to the Board of Directors.

## **Article 22     Operation of the Board of Directors**

The Board of Directors shall implement the following measures to enhance active deliberations by the Board of Directors.

- (1) To allow thorough discussion, materials for meetings of the Board of Directors shall in general be distributed to directors prior to the date of the meeting.
- (2) At the request of the Board of Directors, the Board of Directors' Office or related departments shall submit appropriate materials or provide explanations.
- (3) Prior to the commencement of each business year, the schedule for meetings of the Board of Directors for the business year and the matters that are expected shall be communicated to each director.
- (4) In general, meetings of the Board of Directors will be held once a month, and reports on the Group's business, finances, and organization, etc. will be made and discussed at each meeting. When holding such meetings, the Company shall establish an environment in which Board of

Directors meetings can be attended from outside the Company's facilities via teleconference or videoconference..

- (5) When holding the Board of Directors meetings, the Board of Directors provides sufficient time for discussion in order to allow sufficient statements and debate by each director.

### **Article 23    Composition of Nomination Committee, Audit Committee, Compensation Committee and Governance Committee**

23.1 The Company shall structure the Nomination Committee, Audit Committee, Compensation Committee, and Governance Committee, which is established according to Article 24, as follows so that they are able to effectively fulfill the role and duties required by law and internal rules.

- (1) A majority of the members of the Nomination Committee, Audit Committee, and Compensation Committee shall all be independent outside directors who satisfy the Company's independence criteria according to Article 30.
- (2) In general, the Audit Committee shall appoint a person with appropriate experience, ability and necessary knowledge of finance, accounting, and law, and will particularly have at least one member with appropriate financial and accounting knowledge.
- (3) The chairperson of the Nomination Committee, Audit Committee, Compensation Committee and Governance Committee shall be an independent outside director.
- (4) In principle, the Governance Committee shall consist of all outside directors.

23.2 The Board of Directors requests an opinion regarding appointment and dismissal of members and the chairperson of each committee provided in Article 23.1 to the Nomination Committee, and the Nomination Committee shall make investigation and discussion, and reports its opinion.

### **Article 24    Role and Responsibility of the Governance Committee**

24.1 The Company shall establish the Governance Committee as a discretionary committee with the objective of the continuance enhancement of the Company's corporate governance, with the aim of enhancing management transparency and fairness and increasing corporate value, taking into account the positions of all stakeholders.

24.2 The Governance Committee, in cooperation with the Board of Directors, the Nomination Committee, the Audit Committee, the Compensation Committee and related departments, shall discuss or advise the Board of Directors on matters relating to the Group's corporate governance, including reviewing and amending the General Policy. From the perspective of improving the effectiveness of the Board of Directors, Nomination Committee, Audit Committee and Compensation Committee, the Governance Committee shall also exchange information and share awareness of issues regarding improvement of each meeting body, etc., based on offers from committee members, etc. When it is necessary to communicate or share information with the executive side management,

the Committee will make cooperation including reporting to the Board of Directors or exchanging views with the management.

## **Section 2 Policy for Nomination or Appointment and Removal of Directors and Executive Officers, and Compensation Criteria**

### **Article 25 Policy for Nomination of Director Candidates and Removal of Directors**

25.1 The criteria for the nomination of the Company's director candidates are as follows:

- (1) Director candidates must be of outstanding character, with high ethical standards;
- (2) Director candidates must have attributes to adequately conduct his or her duty of care of a prudent manager and duty of loyalty in executing his or her duties and to contribute to the Company's sustainable growth and improvement of corporate value in the medium- to long-term;
- (3) Taking into consideration circumstances such as the status of the candidate's other concurrent positions, the candidate must be able to dedicate the time and effort required in order to appropriately carry out his or her duties, and must be able to attend at least 75% of the meetings of the Board of Directors;
- (4) Positions as outside directors and other important titles at listed companies, etc. concurrently held by outside directors should be up to three companies, excluding the Company, and must be considered to be able to dedicate the time and effort required in order to appropriately perform his/her duties;
- (5) Outside director candidates must have considerable insight and extensive experience in such areas as business, finance, financial accounting and law and have attributes to supervise management's execution of duties from an independent objective standpoint, in addition to, in principle, satisfying the Company's independent criteria;
- (6) Outside directors must have an aggregate term of office that is no more than 10 terms and 10 years, and irrespective of new appointment or reappointment, must be, in principle, no more than 75 years of age at the time that he/she assumes office as a director for the next term; and
- (7) The majority of the total number of directors must be composed of independent outside directors.

25.2 Based on the nomination criteria provided in the preceding paragraph, the Company's Nomination Committee shall analyze the knowledge, experience, and capabilities, etc., of each current member of the Board of Directors, create its skill matrix, and nominate candidate directors by analyzing and considering the elements or attributes that need to be enhanced and thoroughly discussing in order to achieve the Company's management philosophy.

25.3 The Company shall clearly state in convocation notices for Shareholders' Meeting the reasons for the nomination of each respective director candidate and show that a balance has been achieved

by describing the knowledge, experience, and capabilities, etc., of each director candidate.

25.4 In the case where it is found that a director is not fully functioning based on the status of execution of duties by the director or other objective facts or that the director does not meet the standards set out in Article 25.1 or otherwise can be found to be a material harm to management of the company, the Nomination Committee will discuss the removal of that director and decide the content of a proposal to a Shareholders' Meeting. In this case, the Nomination Committee will interview and conduct a hearing with the director and report to the Board of Directors. The same procedure will apply when a resignation is submitted by a director.

#### **Article 26 Policy for Election, Appointment, Removal and Dismissal of Executive Officers and Representative Executive Officer**

26.1 The criteria for the election of the Company's executive officers are as follows.

- (1) Executive officers must be of outstanding character, with high ethical standards.
- (2) Executive officers must have a deep understanding of the Group's business and the capacity to appropriately carry out management of the Group as an executive officer.
- (3) Taking into consideration circumstances such as the status of the candidate's concurrent positions, the candidate must be able to dedicate the time and effort required in order to appropriately carry out his or her duties.

26.2 The appointment of representative executive officer shall be based on the criteria provided in each item under the preceding paragraph and the point in which the person has high leadership to control executive officers.

26.3 The Board of Directors shall request an opinion regarding election, appointment, removal, and dismissal of an executive officer or the representative executive officer, and the Nomination Committee will report its opinion to the Board of Directors regarding election, appointment, removal, and dismissal candidates for executive officers and representative executive officer by undertaking an analysis of the knowledge, experience, and capabilities, etc., of each current member of the Board of Executive Officers, based on the criteria of each preceding paragraph, after full deliberation on candidates at issue and confirmation on appropriateness of management operation system, pursuant to objective, timely and transparent procedures. In undertaking formation of the opinion, the Nomination Committee will implement exchanges of opinion with the present CEO or the candidate for new CEO and assure a structure that will ensure the agile and smooth performance of duties. Furthermore, in reporting the opinion set forth in this paragraph, if a Nomination Committee member is in the scope of the opinion, such Nomination Committee member shall not be able to participate in the discussion or resolution.

26.4 In the case where the Nomination Committee reports its opinion to the Board of Directors regarding

election, appointment, removal, and dismissal of candidates for executive officers and representative executive officer, the Company's Nomination Committee shall show reasonability and fairness of the content of the report by clearly stating the reasons for having undertaken formation of the opinion.

26.5 The Board of Directors shall elect and appoint executive officers and representative executive officer based on the criteria for election or appointment provided in Articles 26.1 and 26.2 as well as the content of the report if the Nomination Committee reported its opinion under Articles 26.3 and 26.4. After the election and appointment of each executive officer and representative executive officer, the reason(s) for that election and appointment shall be clearly specified on the Company's web site.

26.6 The Board of Directors will supervise the status of execution of duties by executive officers and representative executive officer, and in the case where it is found that an executive officer and the representative executive officer are not fully functioning based on objective facts, or in the case that can be found to create a cause of a material harm to management of the Group, such as the case where the executive officer no longer meets each standard set out in Article 26.1 or the representative executive officer no longer meets each standard set out in Article 26.1 or 26.2, the Board of Directors will remove or dismiss that executive officer or that representative executive officer, also by taking it into consideration of the content of the report if the Nomination Committee reported its opinion under Articles 26.3 and 26.4. In this case, the Nomination Committee will request the executive officers or representative executive officer to participate in the Nomination Committee meeting, interview and conduct a hearing with the executive officers or representative executive officer, and report to the Board of Directors. The same will apply when a resignation is submitted by an executive officer or representative executive officer.

26.7 After the removal or dismissal of each executive officer or the representative executive officer, the reason(s) for that removal or dismissal shall be disclosed on the Company's website.

#### **Article 27 CEO Succession Plan and Basic Policy on Appointment and Dismissal of CEO**

27.1 The Nomination Committee shall be in charge of draft, revision and operation of the CEO Succession Plan, and shall make a proper supervision on cultivation of CEO candidates by receiving periodical reports from CEO or the responsible departments so that the cultivation of CEO is made as planned with sufficient time and resources.

27.2 The Company shall disclose the outline of the CEO Succession Plan in the Company's Corporate Governance Report.

27.3 In addition to Article 26.1 and 26.2, the standard for the appointment of the CEO shall be in

accordance with that prescribed in the CEO Succession Plan.

27.4 In addition to Article 26.6, the standard for dismissal of the CEO shall be in accordance with that prescribed in the CEO Succession Plan.

## **Article 28 Compensation Policy**

28.1 The Compensation Committee shall determine the compensation for Directors and Executive Officers in accordance with the basic policy as follows:

- (1) To improve short, medium, long term business results and sustainable growth of corporate value.
- (2) To attract and retain the best global talent who will be necessary and useful to accelerate business growth.
- (3) To operate through fair and reasonable decision process with regards to compensation that will provide accountability to shareholders and employees and all stakeholders.
- (4) At the Compensation Committee, to consider objective benchmark or advise provided by an outside expert in addition to economic and social situation and the Company's management status.
- (5) In determining individual compensation, to consider his/her role and responsibility, performance, experience, difficulty in retaining talent and other points.

28.2 Directors are responsible for supervising the company's management. Executive Officers are responsible for execution of business. Accordingly, there shall be separate compensation scheme for each group in order to align with their different roles. Unless otherwise determined by the Compensation Committee, when a director serves as Executive Officer, the compensation scheme of the Executive Officer shall be applied in principle.

### (1) Compensation System for Directors

Compensation for directors consists of base pay and compensation linked to stock price, as directors' supervision on management is required to contribute to the sustainable improvement of corporate value.

In case that outside directors are the chairperson of the Board of Director or the chair of each Committee, considering their responsibility and workload, the allowance to each position determined by the Compensation Committee shall be paid.

The Compensation for internal directors shall be determined individually in accordance with factors such as full-time or part-time, role and responsibility, etc.

### (2) Compensation System for Executive Officer

Compensation for Executive Officer consists of base pay, compensation linked to performance, and compensation linked to stock price, under the policy that achieves that necessary and useful talent shall be retained for accelerating business growth, the Executive Officers shall be evaluated fairly and reasonably based on their performance result, and their credibility and evaluation shall be

properly reflected in their compensation by enhancing sharing of corporate value with shareholders.

### **Section 3 Independent Outside Directors**

#### **Article 29 Duties of Independent Outside Directors**

The Independent outside directors shall have the following duties.

- (1) Independent outside directors shall demonstrate strong supervisory capabilities from a standpoint independent from management and controlling shareholders through the decision-making process for important decisions regarding management's execution of business at meetings of the Board of Directors.
- (2) Independent outside directors shall contribute to proactive corporate governance by providing advice, etc. with respect to management policies and the improvement of management.
- (3) Independent outside directors shall perform a supervisory role to ensure the appropriate execution of business by monitoring for issues such as conflicts of interest between the Company and management.
- (4) Independent outside directors shall ensure that the opinions of stakeholders such as minority shareholders are appropriately reflected.

#### **Article 30 Independence Criteria**

30.1 The Company considers an outside director to be independent unless he or she is:

- (1) A shareholder, or an executive officer of such shareholder (an executive officer means an "executive officer" provided in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereafter in this article), who holds 10% or more of the voting rights of the Company.
- (2) An executive officer of a company of which the Company holds 10% or more of the voting rights.
- (3) A business partner whose transactions with the Company exceed an amount of 2% or more of the consolidated gross revenue of either the Company or such business partner in a fiscal year, or an executive officer of such business partner.
- (4) A financial institution or other major creditor which is essential for the financing of the Group and on which such financing is irreplaceably dependent on, or an executive officer thereof.
- (5) A member, partner or employee of the audit firm or tax accountant firm which is an accounting auditor or accounting advisor of the Group;
- (6) A person receiving a donation or subsidy of 10 million JPY or more from the Group in a fiscal year, or if the person receiving the donation or subsidy is a corporation, partnership or other organization (the "Juridical Persons, etc."), an executive officer of the Juridical Persons, etc. receiving a donation or subsidy of more than 2% of the consolidated gross revenues of such Juridical Persons, etc. from the Company in a fiscal year;

- (7) A person receiving monetary payments or other financial assets of 10 million JPY or more from the Group as a lawyer, accountant, tax accountant, consultant or other professional advisor, besides the director compensation, or if a person receiving such financial assets is a juridical person, partnership or other organization such as a legal professional corporation, law firm, audit corporation, tax accountant corporation or consulting firm (the "Law Firm, etc."), a person belonging to the Law Firm, etc. receiving monetary payments or other financial assets of more than 2% of the Law Firm, etc.'s annual gross revenues from Group;
- (8) A person whose spouse, a relative within the second degree of kinship or a relative who lives with such person corresponds to any of subsections (1) through (7) of this Article 30.1;
- (9) A person who corresponded to any of subsections (1) through (8) of this Article 30.1 in the past five years; or
- (10) An executive officer of a company to which an executive officer (meaning an executive director, executive officer, corporate officer, manager or other employees, notwithstanding subsection (1) in this Article 30.1) of the Group serves as an officer of such company.

30.2 The Board of Directors shall monitor on an ongoing basis whether persons serving as outside directors continue to satisfy the criteria set forth in Article 30.1.

#### **Section 4 Other**

#### **Article 31 Audit System Enhancement**

31.1 The Audit Committee shall share information and unified audit policies of the Group through such means as holding regular meetings with the corporate auditors, etc. of the Subsidiaries. In addition, the Committee shall maintain close cooperation with each division of the Group, such as by regularly receiving reports on the status of Concern Raising (Whistleblowing)) from the legal and compliance divisions of the Group and reports on the status of audit implementation from the internal audit division and corporate auditors, etc., and by giving instructions to them, thereby efficiently conducting audits of the Group as a whole.

31.2 The Audit Committee shall also conduct appropriate auditing of overseas Subsidiaries by means such as clearance by external accounting auditor of the results of reviews obtained from the audit firms responsible for major overseas subsidiaries on a quarterly basis and the timely communication of audit issues requiring action.

31.3 The Audit Committee and the external accounting auditor shall strive to mutually improve the quality of audits by regularly providing reports and exchanging opinions, such as at the audit report meeting held at the end of each business year.

31.4 The Audit Committee shall set forth criteria for the appropriate appointment and evaluation of

external accounting auditors and confirm the independence and expertise of the external accounting auditor.

### **Article 32 Collection of Information by Directors and Support Systems**

- 32.1 The Company shall implement a system for the collection of information by all directors that allows them to obtain information from the Board of Directors' Office or directly from relevant departments.
- 32.2 In addition to the preceding paragraph, the Company shall implement a system for the collection of information for audits by members of the Audit Committee that allows them to obtain information from the Secretariat of the Audit Committee or directly from relevant departments.
- 32.3 As necessary, directors may either through organizations such as the Board of Directors' Office or the Secretariat of the Audit Committee, etc., or directly themselves obtain with respect to their duties the advice of outside experts such as lawyers or certified public accountants at the cost of the Company.

### **Article 33 Persons Serving Concurrently as Directors and Executive Officers**

- 33.1 Directors and executive officers must be able to dedicate the time and effort required in order to appropriately carry out their duties. Persons elected as directors or executive officers shall themselves verify whether they are able to dedicate sufficient time and effort based on the circumstances of their other concurrent positions and shall accept their appointment only if they have made such a determination. The same confirmation process shall be repeated each year if he or she is being reappointed.
- 33.2 In addition to the aforementioned, an executive officer may not serve concurrently as an executive (meaning an executive director, executive officer, corporate officer, manager, or other employee) at a company other than a member of the Company's Group.

### **Article 34 Evaluation of the Effectiveness of the Board of Directors**

- 34.1 The Board of Directors shall contribute to a self-evaluation of the effectiveness of the Board of Directors (the "Evaluation of the effectiveness") once a year or more. From the perspective of ensuring objectivity and transparency of the evaluation, an effectiveness evaluation will be conducted at least once every three years with the assistance of a third party for part or all of the implementation process.
- 34.2 The Board of Director delegates its authority on implementation process of the evaluation of the

effectiveness to the Nomination Committee and Governance Committee.

- 34.3 The Nomination Committee shall take a lead in conducting the evaluation of effectiveness of the composition of the Board of Directors. The results of the evaluation shall be reported to the Board of Directors and shall be used as one of the consideration factors for Nomination Committee to review the composition of the Board of Directors.
- 34.4 The Governance Committee shall take a lead in conducting the evaluation of effectiveness other than the composition of the Board of Directors. The result of the evaluation shall be reported to the Board of Directors and the Governance Committee shall distil issues that lead to reinforcement and improvement of the Board of Director's effectiveness, and prepare solutions to the issues, and check the status of the solutions.
- 34.5 The Company shall post a summary of results of the Evaluation as stipulated in this Article on the Company's website.

#### **Article 35 Director and Executive Officer Training**

- 35.1 Board of Directors' Office shall be responsible for training directors and executive officers.
- 35.2 The directors and executive officers, and the directors of subsidiaries that are recognized to be of particular importance, (hereinafter in this Article 35 "Officers to Receive Training") will undergo training.
- 35.3 Each year, newly elected Officers to Receive Training shall participate in officer training courses designated by the Board of Directors' Office and as necessary receive orientation regarding the entire Group or the divisions for which they are responsible, unless they are excepted from training due to their experience or knowledge.
- 35.4 Each year, Board of Directors' Office will hold interviews with each Officer to Receive Training and obtain opinions, etc., regarding necessary training, and provide advice in response thereto or make necessary arrangements.
- 35.5 As long as the Company recognizes that any training undertaken by Officers to Receive Training is useful to improve the performance of their duties, the Company shall pay the full cost thereof, irrespective of whether or not the Company has arranged such training itself, or whether or not such training was based on the Company's advice.
- 35.6 Board of Directors' Office shall regularly report to the Board of Directors regarding the implementation status of training.

## **Article 36 Successor and Next-Generation Leader Training Planning**

- 36.1 Through the organization-wide structure of POD (People & Organization Development), which is implemented annually, the Company creates succession plans for major organizations and development plans of each successor. This will lead to the development of human resources of the next generation and enhancement of organizations toward the future.
- 36.2 The Company implements NEXT for those who aim at becoming Executive General Leader, General Leader and Senior Leader, and NEXT 2<sup>nd</sup> for those who aim at becoming Leader and Group Leader. The target persons for both programs have been selected as a talent through various assessments under the recommendation of the business leader, and his/her capability will be cultivated through assignment of important projects. The person will clearly identify his/her competency to be improved and will take programs to support the improvement. To ensure the continuous growth, this activity will be developed globally, and the Company will cultivate leaders who can flourish around the world.

## **Chapter V Information Disclosure Policy**

### **Article 37 Basic Policy Regarding Information Disclosure**

- 37.1 The Company recognizes that ensuring the provision of information and transparency are fundamental to a constructive dialogue with stakeholders. Therefore, the Company shall set forth its Disclosure Policy and make it available on its website.
- 37.2 Under the Disclosure Policy, the Company shall strive to disclose not just information required by law and the timely disclosure rules enacted by the Tokyo Stock Exchange, but also to make full disclosure of other information, such as non-financial information (including information regarding management strategy and management issues requiring action, risk, and corporate governance).

### **Article 38 Methods of Disclosure**

- 38.1 The Company shall establish a timely disclosure system as follows to ensure that matters requiring timely disclosure are disclosed in a timely and appropriate manner.
- (1) Departments in charge of the matter or Board of Executive Officers report or submit matters requiring resolution or report at the Board of Directors to the Board of Directors.
  - (2) Departments in charge of the matter or affiliated Companies report or submit matters requiring resolution or report at the Board of Executive Officers to the Board of Executive Officers.
  - (3) Matters concerning (i) investment or loans, (ii) environmental strategy, (iii) consideration of reorganization, (iv) establishment of new subsidiaries, (v) disasters or accidents, etc., or (vi)

other unforeseen facts arising suddenly, such as product liability or wrongful acts, etc., matters that require resolutions or reports at executive side committees, etc., shall be resolved or reported at the relevant committees, etc., and shall be submitted to or reported at the Board of Executive Officers as necessary.

- (4) For matters submitted to the Board of Directors, Board of Executive Officers or executive side committees, etc. for discussion, the Board of Directors' Office or the Board of Executive Officers Secretariat shall first consider whether it should be an agenda item, and the person in charge of handling information and the Officer responsible for IR shall determine the necessity of timely disclosure through discussions with related departments such as IR department, the financial department and the legal department.

38.2 The Company shall disclose timely disclosure information through the timely disclosure circulation system (TDnet) offered by the Tokyo Stock Exchange as well as the Company's website. The Company will also take care to disclose as accurately and fairly other information using appropriate methods, based on the principles of timely disclosure.

38.3 The Company will endeavor to simultaneously disclose in English as well as Japanese all information issued by the Company's IR Office.

38.4 With respect to non-financial information to be disclosed, the Company obtains third-party assurance of non-financial data from external organizations when deemed necessary by the department in charge.

## **Chapter VI      Miscellaneous**

### **Article 39      Division in Charge**

The division in charge of these Policies is the Board of Directors' Office. If an amendment to these Policies is required, the Board of Directors' Office shall implement the necessary procedures regarding such as proposal to the Governance Committee and application for a resolution of the Board of Directors.

### **Article 40      Language**

There shall be a Japanese version and an English version of these Policies. Both language versions shall have equal validity and effect.

### **Article 41      Revision and Abolition**

These General Policy may be revised or abolished by resolution of the Board of Directors. However, revision or abolition of the Compensation Policy (Article 28) requires the approval of the Compensation

Committee, revision or abolition of the Policy for Nomination and Removal of Director Candidates (Article 25) requires the approval of the Nomination Committee, and revision or abolition of the Independence Criteria (Article 30) requires the approval of the Nomination Committee.

#### **Article 42    Effective Date**

This Policy was revised effective as of January 22, 2024.

#### **Enacted / Revised**

Enacted / Revised

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